

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1521 – SB 2693

April 5, 2018

**SUMMARY OF ORIGINAL BILL:** Changes, from March 1 to March 15, the date by which the Commissioner of the Department of Revenue (DOR) must annually appear before and report the status of the computerized titling and registration system to the Transportation Committee of the House of Representatives and the Transportation and Safety Committee of the Senate.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENTS (015399, 015845, 016641):** Amendment 015399 deletes all language after the enacting clause.

**Sections 1 and 2** create a new specialty earmarked license plate for North Carolina State University.

**Sections 3, 4, 5 and 6** create a new military cultural license plate for Rakkasans.

**Sections 7 and 8** create a new specialty earmarked license plate for Mountain Tough.

**Sections 9 and 10** create a new specialty earmarked license plate for Historic Maury.

**Sections 11 and 12** create a new specialty earmarked license plate for Boone Lake Association.

**Section 13 and 14** create a new specialty earmarked license plate for Suicide Prevention.

**Sections 15 and 16** create a new specialty earmarked license plate for Domestic Violence and Sexual Assault Awareness.

**Sections 17 and 18** create a new specialty earmarked license plate for Lung Cancer Awareness.

**Sections 19 and 20** create a new specialty earmarked license plate for Methodist Le Bonheur Healthcare.

**Sections 21 and 22** create a new cultural license plate for Cumberland University.

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**Sections 23, 24 and 25** create a new military cultural license plate for Paratroopers.

**Sections 26, 27 and 28** create a new design for the new specialty earmarked license plate for Fraternal Order of Police.

**Sections 29 and 30** create a new specialty earmarked license plate for I Stand with Israel.

**Sections 31 and 32** create a new specialty earmarked license plate for University of South Carolina.

**Sections 33 and 34** create a new specialty earmarked license plate for Kiwanis International.

**Sections 35 and 36** create a new specialty earmarked license plate for TN Back the Blue.

**Sections 37 and 38** create a new specialty earmarked license plate for Down Syndrome Awareness.

**Section 39** creates a new military cultural license plate for Cold War Era Veteran.

**Section 40 and 41** create a new design for the specialty earmarked license plate for Disabled Veteran.

**Section 42** extends until July 1, 2019, the timeframe for the new specialty earmarked license plate for The Ohio State University to meet the issuance requirement of 100 plates.

**Section 43** extends until July 1, 2019, the timeframe for the new specialty earmarked license plate for Niswonger Children's Hospital to meet the issuance requirement of 1,000 plates.

**Section 44** extends until July 1, 2019, the timeframe for the new specialty earmarked license plate for Martin Luther King, Jr. to meet the issuance requirement of 1,000 plates.

**Section 45** extends until July 1, 2019, the timeframe for the new specialty earmarked license plate for the Save the Bees to meet the issuance requirement of 1,000 plates.

Amendment 015845 creates a new cultural "5<sup>th</sup> Special Forces Group (Airborne)" military license plate for active, retired, and honorably discharged members of the group in good standing along with spouses and children of such members.

Amendment 016641 exempts' cultural and new specialty earmarked license plates as authorized by statute on or after July 1, 2013, from the requirement of a minimum order of at least 1,000 plates prior to issuance.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

### **Increase State Revenue –**

**\$202,800/FY18-19/Specialty Plate Organizations**

**\$164,700/FY18-19/Tennessee Arts Commission**

**\$41,200/FY18-19/Highway Fund**

**\$227,500/FY19-20 and Subsequent Years/Specialty Plate Organizations**

**\$184,800/FY19-20 and Subsequent Years/Tennessee Arts Commission**

**\$46,200/FY19-20 and Subsequent Years/Highway Fund**

**Other Fiscal Impact – The Department of Revenue will retain approximately \$3,800 from the sale of every 1,000 new specialty license plates, and \$380 from the sale of every 100 cultural license plates in FY18-19 to compensate TRICOR for production, warehousing, and distribution costs incurred by TRICOR. The total amount the Department will retain in FY18-19 is estimated to be \$51,300. TRICOR will receive \$500 in net revenue for every 1,000 new specialty license plates produced, and \$50 in net revenue for every 100 cultural plates produced in FY18-19. The total net revenue to TRICOR in FY18-19 is estimated to be \$6,800.**

Assumptions for the bill as amended:

*Assumptions for the bill as amended relative to new specialty earmarked license plates:*

- Pursuant to Tenn. Code Ann. § 55-4-201(l)(1), new specialty earmarked license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- One-time production costs of \$3.80 per license plate resulting in one-time expenditures of \$3,800 (1,000 x \$3.80).
- It is assumed there will be an additional 13 new specialty earmarked license plates issued. The increase in state expenditures in FY18-19 for the production of all specialty earmarked license plates is estimated to be \$49,400 (\$3,800 x 13).
- The price for each specialty earmarked plate is \$35 resulting in revenue of \$35,000 (1,000 plates at \$35 each). The total increase in revenue generated by all license plates is \$455,000 (\$35,000 x 13 additional license plates).
- Net proceeds from the sale of new specialty marked license plates will be allocated as follows: 50 percent to the specialty plate organization; 40 percent to the Tennessee Arts Commission; and 10 percent to the state Highway Fund.
- For FY18-19, the increase in revenue to the Department of Revenue (DOR) is \$49,400; the increase in revenue to the specialty plate organizations is \$202,800 [(\$455,000 – \$49,400) x 50%]; the increase in revenue to the Tennessee Arts Commission is \$162,240 [(\$455,000 - \$49,400) x 40%]; and the increase in revenue to the state Highway Fund \$40,560 [(\$455,000 - \$49,400) x 10%].

- For FY19-20 and subsequent years, the increase in revenue to the specialty organizations is \$227,500 ( $\$455,000 \times 50\%$ ); the increase in revenue to the Tennessee Arts Commission is \$182,000 ( $\$455,000 \times 40\%$ ); and the increase in revenue to the state Highway Fund is \$45,500 ( $\$455,000 \times 10\%$ ).
- Extending the timeframe for the four new specialty earmarked license plates to meet the issuance requirement of 1,000 plates will not result in a significant impact on state revenue or expenditures.

*Assumptions for the bill as amended relative to the new cultural license plate:*

- Pursuant to Tenn. Code Ann. § 55-4-201(b)(3), new cultural collegiate license plates will be subject to a minimum order of at least 100 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- One-time production costs of \$3.80 per license plate resulting in one-time expenditures of \$380 ( $100 \times \$3.80$ ).
- It is assumed there will be one additional collegiate cultural license plate issued. The increase in state expenditures in FY18-19 for the production of one cultural license plate is estimated to be \$380 ( $\$380 \times 1$  license plate).
- The price for each collegiate cultural plate is \$35, resulting in revenue of \$3,500 (100 plates at \$35 each). The total increase in revenue generated by all new cultural license plates is \$3,500 ( $\$3,500 \times 1$  additional license plate).
- Pursuant to Tenn. Code Ann § 55-4-216, net proceeds from the sale of new cultural license plates will be allocated as follows: 80 percent to the Tennessee Arts Commission; and 20 percent to the state Highway Fund.
- For FY18-19, the increase in revenue to the DOR is \$380; the increase in revenue to the Tennessee Arts Commission is \$2,496 [ $(\$3,500 - \$380) \times 80\%$ ]; and the increase in revenue to the state Highway Fund \$624 [ $(\$3,500 - \$380) \times 20\%$ ].
- For FY19-20 and subsequent years, the increase in revenue to the Tennessee Arts Commission is \$2,800 ( $\$3,500 \times 80\%$ ); and the increase in revenue to the state Highway Fund is \$700 ( $\$3,500 \times 20\%$ ).
- Amendment 016641 exempts' cultural and new specialty earmarked license plates as authorized by statute on or after July 1, 2013, from the requirement of a minimum order of at least 1,000 plates prior to issuance.
- According to the DOR, military cultural license plates are not subject to any minimum order requirements. It is assumed that 100 of each such license plates will be produced and issued.
- One-time production costs of \$3.80 per license plate resulting in one-time expenditures of \$380 ( $100 \times \$3.80$ ).
- Amendment 015845 creates a new cultural “5<sup>th</sup> Special Forces Group (Airborne)” military license plate.
- It is assumed there will be four additional military cultural license plates issued.
- The increase in state expenditures in FY18-19 for the production of four military cultural license plates is estimated to be \$1,520 ( $\$380 \times 4$  license plate).

- Pursuant to Tenn. Code Ann § 55-4-203(c)(1), military cultural license plates are issued upon the payment of the regular registration fee and a fee equal to the cost of actually designing and manufacturing the plates. Therefore, the increase in revenue in FY18-19 is estimated to be \$1,520.

*General Assumptions for the bill as amended:*

- The redesign and manufacture of the 2 plates in sections 26 through 28 and sections 40 and 41 will take place in the normal course of business. As a result, any increase in state expenditures is estimated to be not significant because the DOR would order and pay for additional batches of plates under current law as inventories for any such plate are exhausted. It is assumed that any future cost to redesign and manufacture the plates as proposed by this bill as amended would approximate the future cost incurred under current law to replace exhausted inventories as they occur.
- TRICOR produces license plates on behalf of the DOR.
- The DOR will retain \$3,800 from the sale of every 1,000 new specialty license plates, and \$380 from the sale of every 100 cultural license plates in FY18-19 to compensate TRICOR for production, warehousing, and distribution costs incurred by TRICOR. The total amount the DOR will retain in FY18-19 is estimated to be \$51,300 (\$49,400 for 13 new specialty license plates + \$380 for 1 collegiate cultural license plate + \$1,520 for 4 military license plates).
- TRICOR will receive \$500 in net revenue for every 1,000 new specialty license plates produced, and \$50 in net revenue for every 100 cultural license plates produced. The total net revenue to TRICOR in FY18-19 is estimated to be \$6,750 (\$6,500 for 13 new specialty license plates + \$50 for 1 collegiate cultural license plate + \$200 for 4 military cultural license plates).
- The total increase in state revenue to the Specialty Plate Organizations in FY18-19 is estimated to be \$202,800.
- The total increase in state revenue to the Specialty Plate Organizations in FY19-20 and subsequent years is estimated to be \$227,500.
- The total increase in state revenue to the Tennessee Arts Commission in FY18-19 is estimated to be \$164,736 (\$162,240 + \$2,496).
- The total increase in state revenue to the Tennessee Arts Commission in FY19-20 and subsequent years is estimated to be \$184,800 (\$182,000 + \$2,800).
- The total increase in state revenue to the Highway Fund in FY18-19 is estimated to be \$41,184 (\$40,560 + \$624).
- The total increase in state revenue to the Highway Funds in FY19-20 and subsequent years is estimated to be \$46,200 (\$45,500 + \$700).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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